Update

Reduction to the Lifetime Allowance from 6 April 2016

There are limits on the amount of tax-free pension savings that you can benefit from over your lifetime. This is called the Lifetime Allowance, which is set to reduce. Most Plan members will not be impacted by this reduction. You will only be affected if you have built up large pension savings in one or more plans which are subject to UK tax. These could be in or outside of the bank.

Important
If you think you may be affected by the Lifetime Allowance reduction, review your personal circumstances and take action if you need to.
The Lifetime Allowance (LTA) is the total value of pension savings you can build up tax efficiently during your lifetime. If the value of your savings is more than the LTA, you will pay additional tax on the excess.

- The LTA is currently set at £1.25 million but will reduce to £1 million from 6 April 2016.
- The ‘test’ of your savings against the LTA is carried out at the time you begin taking your savings.
- There is a tax charge for exceeding the LTA:
  - 55% if you take the excess as a cash lump sum.
  - 25% if you take the excess as pension (e.g. buying an annuity or taking income/flexible drawdown). In addition, pension payments are taxed as income.
- The Government is providing two types of LTA Protection.
  - This means that individuals can reduce their LTA tax liability.
  - The two types are Fixed Protection 2016 and Individual Protection 2016.
  - You may be eligible to apply for these if you meet certain requirements.
- Read more on page 4.

### What you need to do

- **Read** this Update carefully.
- **Consider** whether you are affected by the LTA reduction and if you want to apply to protect your LTA at a level more than £1 million.
  - If you think you may be affected, **read** the table on page 4 to see which Protection may be right for you.
  - View the **LTA Protection in practice** case study to help you decide which type of Protection may be right for you.
- **Note** that there will be an HMRC online self-service tool for applications for both types of Protection. This is expected to be available from **July 2016**.
  - We will send you more information as soon as it is available, including details of any deadlines.
- **Note** that if you decide that Fixed Protection 2016 is right for you:
  - Any benefit ‘build up’ into pension arrangements after 5 April 2016 would invalidate Fixed Protection 2016.
  - You need to complete and return the **2016 LTA Protection Opt Out Form** by **31 March 2016** to the Plan Administrators (see page 6 for contact details). The bank will then opt you out of the relevant arrangement(s) from 6 April 2016.
  - You should also ‘opt out’ of any other pension arrangements in which you are building up future benefits. Read the Fixed Protection 2016 section on pages 4 and 5 carefully.
Are you impacted by the reduction to the LTA?

Follow the steps below to find out. Remember: the LTA ‘test’ is against the value of your pension savings when you start to take them. So, you need to consider how the value of your DC benefits may change between now and then, including future contributions and investment returns. If you have any DB benefits, these may also increase in line with the relevant rules.

<table>
<thead>
<tr>
<th>Step 1</th>
<th>See the value of your pension savings with the bank</th>
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<tbody>
<tr>
<td><strong>Review</strong></td>
<td></td>
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<tr>
<td>• Log on to <a href="#">Hartlink Online</a>, the pensions administration website, to see the value of your DC pension savings with the bank. Alternatively, contact the Plan Administrators. See <a href="#">page 6</a> for both log on and contact details.</td>
<td></td>
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<tr>
<td>• If you have defined benefit (DB) or final salary savings with the bank, read the note * below.</td>
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<tr>
<td>• If you are a member of more than one plan in the bank, remember to take them all into account.</td>
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<tr>
<th>Step 2</th>
<th>Check the value of any savings outside of the bank</th>
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<tbody>
<tr>
<td><strong>Check</strong></td>
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<tr>
<td>• Review any recent benefit statements you have received; and/or</td>
<td></td>
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<tr>
<td>• Contact the relevant administrators of your previous and/or current pension plan for current and estimated details of your savings.</td>
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<td>Please note: State Pensions do not count towards the LTA.</td>
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<tr>
<th>Step 3</th>
<th>Is the total value of your pension savings currently or anticipated to be over £1 million by the time you access them?</th>
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<tbody>
<tr>
<td><strong>Yes</strong></td>
<td>You should consider protecting your LTA above £1 million with either Fixed Protection 2016 or Individual Protection 2016.</td>
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<tr>
<td>• Read about the differences on the next two pages.</td>
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<td>• We also encourage you to get independent professional advice – see <a href="#">page 6</a>.</td>
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</tr>
<tr>
<td><strong>Not sure</strong></td>
<td>You may be close to £1 million by the time you take your savings.</td>
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<tr>
<td>• If you need up-to-date details of your savings with the bank and/or estimations for the future, contact the Plan Administrators – see <a href="#">page 6</a> for contact details.</td>
<td></td>
</tr>
<tr>
<td>• We also encourage you to get independent professional advice – see <a href="#">page 6</a>.</td>
<td></td>
</tr>
<tr>
<td><strong>No</strong></td>
<td>You do not need to take action now.</td>
</tr>
<tr>
<td>However, make sure you review your savings regularly – at least once a year or more often if you are approaching retirement – to help with your future planning.</td>
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*Please note: if you have defined benefit (DB) or final salary benefits in the Bank of America Merrill Lynch UK Pension Plan or the NationsBank Pension and Life Assurance Plan, the value of these savings when you choose to take them is broadly the starting level of your annual pension multiplied by 20, plus any tax-free lump sum and Additional Voluntary Contributions (AVC) account. Contact the Plan Administrators – see [page 6](#) for contact details.*
More about LTA Protection 2016

If you know or think that you may need to protect your LTA, you need to understand the two types of Protection. Fixed Protection 2016 and Individual Protection 2016 work in different ways – see below.

<table>
<thead>
<tr>
<th>Fixed Protection 2016</th>
<th>Individual Protection 2016</th>
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<tbody>
<tr>
<td><strong>Need to knows...</strong></td>
<td><strong>Your LTA would be...</strong></td>
</tr>
<tr>
<td>• You do not need to have a minimum level of savings as at 5 April 2016 – your savings can be valued at under £1 million.</td>
<td>Either £1.25 million or the standard LTA, should that be higher in the future.</td>
</tr>
<tr>
<td>• You cannot have any other forms of HMRC LTA Protection.</td>
<td><strong>Future pension savings...</strong></td>
</tr>
<tr>
<td></td>
<td>• Your pension savings must be valued at over £1 million on 5 April 2016.</td>
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<td></td>
<td>• You cannot have Primary Protection.</td>
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<td></td>
<td>• You can have Enhanced Protection, Fixed Protection 2012, Fixed Protection 2014 or Fixed Protection 2016.</td>
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</table>

<table>
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<tr>
<th><strong>Future pension savings...</strong></th>
<th><strong>How to apply and when...</strong></th>
</tr>
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<tbody>
<tr>
<td>You cannot build up savings in any pension arrangement after 5 April 2016 in or outside of the bank that qualify for UK tax relief. This would invalidate Fixed Protection 2016. Please note that this includes benefit build up (accrual) in DB schemes. See ‘What you need to do now’ on the next page.</td>
<td>• There will be an HMRC online self-service tool for applications for both forms of Protection. This is expected to be available from July 2016. We will send you more information as soon as it is available, including details of any deadlines.</td>
</tr>
<tr>
<td></td>
<td>• In the meantime, if you are applying for Fixed Protection 2016, you must not have any further benefit build up after 5 April 2016 and must opt out of your pension arrangements. Please read ‘What you need to do now’ on the next page carefully.</td>
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</tbody>
</table>
### More about LTA Protection 2016 continued

#### What you need to do now (if you want to apply)...

- Complete and return the **2016 LTA Protection Opt Out Form** to the Plan Administrators (details on page 6) by **31 March 2016**. You should receive confirmation of receipt of your form; if you do not receive this confirmation, we encourage you to get in touch to check receipt.
- If you are a contributing member of one or more pension arrangements outside of the bank, you also need to contact them to ‘opt out’ of future benefit build up.
- Please read the important notes on the right.

- You do not need to contact us now. Please look out for more information about the application process later this year.
- Please read the important notes on the right.

#### What the bank will do if you apply...

- On receipt of the **2016 LTA Protection Opt Out Form**, the bank will stop contributions to your pension arrangements with the bank from April 2016.
- Any contributions you are making will also be stopped.
- Pay you a pension cash allowance in place of the bank’s core pension contributions that you would otherwise receive. This payment would be reduced for employer National Insurance (NI) contributions. It would also be subject to income tax and NI deductions in the same way as your other salary payments.
- After you have returned your **2016 LTA Protection Opt Out Form**, the bank will require a copy of the Fixed Protection 2016 certificate later this year (see ‘How to apply and when’ on page 4) to prove Fixed Protection 2016 has been taken.

- Make no changes and continue paying contributions as currently.

#### Maximum tax-free cash you can take...

- **25% of £1.25 million.**
- Up to **25% of your ‘individual’ LTA.**

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### Important notes

- You can apply for both Fixed Protection 2016 and Individual Protection 2016.
- Fixed Protection 2016 will take precedence unless it is lost due to not complying with the conditions summarised on page 4 and left. In this case your Protection will revert to Individual Protection 2016.
- You may still be able to apply for Individual Protection 2014.
- If your pension savings were valued over £1.25 million on 5 April 2014, you may still be able to protect your savings at a level higher than £1.25 million (subject to an overall maximum of £1.5 million – the LTA at that time).
- The deadline to apply for Individual Protection 2014 is 5 April 2017 and there are certain conditions to meet which you should confirm before applying.
- If you are unsure of what is right for you, please seek independent professional advice – see page 6.

### Find out more

- On the Government website.  
- In the LTA Protection in practice case study.
Find out more

Pension presentations

Hear more about the changes to both the Lifetime and Annual Allowance from 6 April 2016 at the second round of Pension presentations (15-26 February 2016).

MyBenefitChoices

Pension contributions for the 2016/17 tax year

Before the tax changes take effect, you can update how much you are contributing for the 2016/17 tax year. You will receive more information in early March 2016. Tools and resources will also be available to help you make your choice.

Please note that you can change your pension contribution at any time after April 2016.

Your Pension Plan

BoAML pensions freedom and choice website

- For tools and resources to help with your retirement planning, go to www.baml.com/pension update
- Visit the Library & tools section to access information about pensions and tax
- You can also find more general information about tax on pensions on the Government website

Financial or tax advice about your pension savings

- If you are not sure how you are impacted by the tax changes, we strongly recommend you speak to an independent professional adviser.
- Visit the Money Advice Service for details of advisers in your area.
- Please bear in mind that you may have to pay for any advice you receive.

Plan Administrators

For more information about the benefits you have built up in your pension plan, contact the Plan Administrators.

Members of the Bank of America Merrill Lynch UK Pension Plan or the Merrill Lynch (UK) Defined Contribution Plan

Web: SSO and www.hartlinkonline.co.uk/boaml
Email: boaml@capita.co.uk
Phone: 01227 773915
Post: Bank of America Merrill Lynch UK Pension Plan/ Merrill Lynch (UK) Defined Contribution Plan
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL

Members of the Bank of America UK Pension Plan or the NationsBank Pension and Life Assurance Plan

Web: SSO and www.hartlinkonline.co.uk/boa (BoA Plan only)
Email: boa@capita.co.uk
Phone: 0800 917 6071
Post: Bank of America UK Pension Plan/ NationsBank Pension and Life Assurance Plan
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL

Remember: if you are a member of any of the plans above (except the NationsBank Plan), your 2015 benefit statement (available in the top left-hand navigation of Hartlink Online) will show the estimated value of your savings at your Target Retirement Date (i.e. when you plan to take them).

Remember: we want to help you understand your earnings and pension savings with the bank, but please note that your personal tax situation is your responsibility to understand and manage. The bank does not provide tax, accounting, legal or financial advice. We strongly recommend that you get independent professional advice on your specific circumstances in respect of any personal tax and/or financial matters.